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CENTRAL INTELLIGENCE BULLETIN



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State Dept. review completed

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Approved For Release 2003/04/17 : CIA-RDP79T00975A005700120001-5

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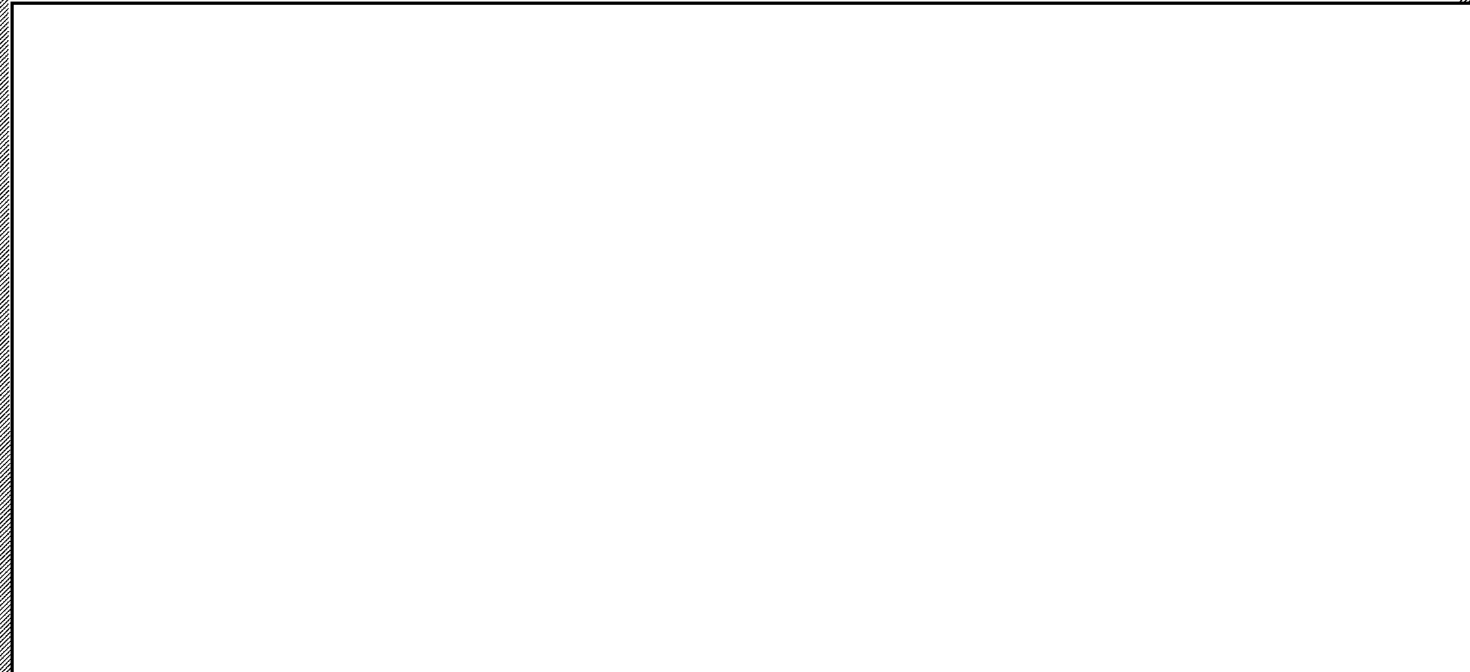


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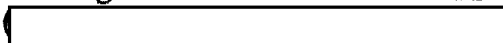


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Iran: Prime Minister Ali Amini believes his main task in the immediate future is to produce some concrete benefits for the public to forestall a "red revolution." Meanwhile, he has lifted press control, and instructed the various security organizations to limit their activities to their proper spheres of responsibilities. Amini hopes to prosecute and punish several highly placed officials, including military, for corruption, and the special courts being formed for this purpose will be established in about two weeks. Radio Moscow has reported factually on the situation but the Soviet-controlled clandestine radio National Voice of Iran continues its attacks, insisting that a change of cabinet is meaningless and that the Shah's regime must be overthrown.]

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Morocco: The delegation by King Hassan II of his powers as president of the council of ministers to the chief of his personal cabinet, Ahmed Reda Guedira, is another indication that the King intends to continue his personal and absolute rule for some time. Both the Istiqlal party, the major political organization supporting the King, and the left-wing opposition National Union of Popular Forces have criticized the King's action.

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The press is speculating that a cabinet reshuffle may be imminent. A new flare-up of violence involving the left-wing Moroccan Labor Union and its Istiqlal-created rival, the General Union of Moroccan Workers, has also contributed to the growing instability in Morocco. [REDACTED]

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[REDACTED] Jordan: [REDACTED] Reaction in Jordan to King Husayn's announcement on 1 May of his engagement to a British girl has ranged from dismay to anger, with a number of Jordanians predicting that this "ill-advised" step will lead to the King's "finish." Husayn's authority is such that he probably can proceed with his marriage plans in the face of a sullen but not openly rebellious people. The American ambassador nevertheless believes the danger to the King's position is real and that as the depth of adverse feelings become more apparent to him he may possibly consider abdication. [REDACTED]

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[REDACTED] Britain: [REDACTED] The American Embassy in London sees in two separate trade union votes last week a strong trend of support for Labor party leader Hugh Gaitskell's pro-NATO policy, and against the position of last year's Labor party conference calling for British unilateral nuclear disarmament. The votes of these two unions should be more than enough to bring the annual party conference this fall back into line with the party's leadership on defense issues and should help repair the party's popular standing. Some trade union elements who support Gaitskell's pro-NATO policy, however, continue to oppose US air and naval nuclear bases in Britain. [REDACTED]

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(Backup, Page 9)

Venezuela: The economic austerity program presented to Congress on 5 May is a comprehensive effort by President Betancourt to restore business confidence and halt the deterioration in Venezuela's financial situation. The government, which has been under strong pressure from both rightist and Communist-leftist elements, had thus far generally resorted to financial expedients instead of politically unpopular remedial measures. The new program calls for a 10-percent reduction [REDACTED]

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in salaries of public employees, increased taxes which do not affect the key foreign-owned oil industry, and a reduction in expenditures of the government-owned economic enterprises now operating at a substantial loss. [REDACTED]

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*France-Algeria: De Gaulle's 8 May speech, which was partly an effort to set the April military insurrection in perspective and turn French public attention to the possibilities of future progress, contained a hint of French official apprehension over tension among the European settlers in Algeria. He appealed to the settlers to "renounce absurd and agitated dreams." To reinforce De Gaulle's appeal, units of the French Mediterranean fleet appeared off Algiers, and the Algiers police repeatedly broadcast warnings that settlers should not "play the game of the extremists on both sides." [REDACTED]

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De Gaulle's renewed offer to negotiate the future of Algeria with "Algerian elements, primarily those fighting us," was made against a background of frequent reports that the rebel government in Tunis is ready to begin whenever the French set a date. Presumably for tactical reasons, he coupled this with the usual reminder that France would build a "new Algeria without the rebels if no agreement can be negotiated." [REDACTED]

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Plans of New Iranian Prime Minister

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[Ali Amini hopes that the "drastic and spectacular" gestures which he is planning will impress the public sufficiently to convince them that he is "different" from the other prime ministers. However, he needs the Shah's cooperation and feels he must work carefully to prevent the return of the Shah's old suspicions of prime ministers who try to govern.]

[Amini claims he won the Shah's permission to exercise complete freedom in choosing his cabinet and in dissolving the Majlis whenever he considers it desirable. The Shah insisted on retaining control of the army, however, and on retention of General Amir-Azizi as minister of the interior. Amini conceded these points but insisted in turn that he must have a greater voice in determining the effectiveness of military spending. Amini believes he has persuaded the Shah that all cabinet ministers will report to the Shah only through the prime minister. The ministers of war and interior and the chief of the national police were specifically singled out by Amini in this regard.]

[Amini has described the government institutions as "so packed with incompetents and so ineffective" that major reorganization is required practically everywhere. His problem is to assemble a capable group to put the ministries on a proper working basis without losing the Shah's confidence.]

[Amini's assessment of his country's situation and requirements is similar to that of most preceding prime ministers. All have been undercut, however, by the intrigues of the Shah, who attempts to keep any official from becoming too powerful by constantly playing one against the other. Amini's success will depend on his ability to isolate the Shah from such private contacts and, perhaps more importantly, eliminate the courtiers around the Shah who use their relationship with the court for their own private advantage.]

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Moroccan King Delegates Certain Powers

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[Even prior to the publication on 4 May of the decree delegating certain of the King's powers, Guedira was reported to be the most powerful man in Morocco after King Hassan II. Guedira was said in effect to be running the Moroccan Government as a result of Hassan's ineffectiveness in performing his official duties and to be the only person from whom ministers could obtain decisions. He is believed to have antagonized the ministers of foreign affairs and interior by making ambassadorial and internal appointments without consulting them. He is also widely believed to have "sold out" to the French and to have extensive financial holdings outside Morocco.]

The Istiqlal daily newspaper Al Alam characterized the delegation of powers as incompatible with the popular will, which wanted a government organized on sounder foundations. At Tahrir, published by the left-wing National Union of Popular Forces (UNFP), called for a government based on popular will and stated that Morocco lives "a year after the great experiment began, in constitutional anarchy under the dictatorship of an irresponsible and corrupt administration which is submitted to neither ministerial nor governmental control."

The Istiqlal-sponsored General Union of Moroccan Workers (UGTM) has the avowed purpose of liquidating the left-wing Moroccan Labor Union (UMT), which is aligned with and forms the base of the UNFP. The far superior strength of the UMT, however, was evident during the separate parades staged by the two groups in Casablanca and Rabat on May Day. Just prior to May Day the Rabat regional chief of the UMT informed an embassy official that his organization was "ready for a test of strength." The King, while apparently unwilling either to endorse the UGTM or challenge the strength of the UMT, publicly deplored the division in the ranks of labor and expressed a hope that next year would see a "rediscovery of unity and harmony."

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[REDACTED]

Jordanian Reactions to King Husayn's Engagement

[King Husayn is not yet aware of the depth of adverse feeling among the Jordanian people about his betrothal to Antoinette Gardiner, the daughter of a British military adviser in Jordan. American Embassy personnel have hardly been able to locate a single Jordanian who approves or is even neutral regarding the King's decision. Even the simulated public display of well-wishing has fallen short of the minimum that might be expected as rudimentary courtesy to the Monarch. Instead, the ambassador reports, "there has been a relative and pointed silence in the land."]]

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[In nongovernment circles there is strong criticism of the government for not having prevented the engagement or resigned when the announcement was made. In addition, there is a general feeling that the King's efforts toward a rapprochement with the UAR were patently deceitful--an attempt to win favor with the people before announcing his controversial wedding plans]

[The US ambassador believes that as the present state of shock passes, opposition to Husayn's decision may take more concrete and collective form. A member of the Baath party]

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[of Jordan has said that he knows of no present Baath plans to exploit the situation, but that "of course" the party eventually will, and the first occasion might be at the time of the wedding itself. On 8 May it was announced officially that the wedding probably will be on or about 25 May, Jordan's Independence Day.]

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British Labor Party's Defense Policy

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[Two of Britain's largest trade unions, the 890,000-member Amalgamated Engineering Union (AEU) and the 354,000-member Union of Shop, Distributive, and Allied Workers (USDAW) voted last week to support Gaitskell's policy of continued loyalty to NATO with the US supplying the nuclear deterrent. Both of these were among the four major trade unions which voted in favor of unilateral British nuclear disarmament at the party conference last October where the Gaitskell policy was defeated by 297,000 in a total vote of 6,381,000.]

[The American Embassy in London considers it unlikely that these reversals will affect the unilateral stand of the Transport and General Workers Union (TGWU)--Britain's largest--but believes it could influence the votes of the railwaymen whose "unilateralist" stand last year passed by an extremely narrow margin. Last week the union's executive voted to support the Gaitskell policy. Both the TGWU and the railwaymen will vote on the issue in July.]

[Even if all other unions, Labor party constituencies, and the allied Cooperative party reaffirm last year's stands, however, the AEU and USDAW switch, involving more than a million votes, would be more than enough to reverse the votes to be taken by the Trades Union Congress and Labor party conferences this fall. This should greatly ease Gaitskell's problems of keeping the Labor party members in Parliament pledged to collective security, undercutting the dissident campaign against him as party leader, and presenting the party as a cohesive organization.]

[Another resolution approved by the USDAW may presage new trouble for Gaitskell, however, and will furnish more ammunition to the neutralists. This calls for "an end to the need" for American nuclear bases in Europe and Britain and opposes the basing of Polaris missiles in British waters. The official position of the party leadership states that for the present British soil must be available for US and NATO bases, without mentioning whether nuclear weapons should be allowed on them]

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Venezuela's Economic Problems

Venezuela has suffered four consecutive years of unbalanced budgets totaling about \$1 billion. The deficit for the fiscal year ending 30 June may amount to \$300,000,000, or only about \$20,000,000 less than the preceding year. The government has been largely ineffective in its efforts to halt the decline of foreign exchange reserves which began in early 1958, and there has been a considerable flight of capital from Venezuela. Reserves have fallen from \$1.38 billion at the end of 1957 to about \$600,000,000 at present, and the latter figure does not account for about \$330,000,000 of medium- and short-term loans for which foreign exchange must eventually be provided.

25X1 The previous minister of finance resigned in March after only four months in office, largely because he had failed to obtain cooperation from the rest of the cabinet in his economic program. [redacted] The present minister, Andres Otero, who apparently also has orthodox economic views, advised Ambassador Sparks last month that he was "alarmed" by the financial conditions he discovered on taking office.]

25X1 Strong political considerations are the primary factor in the Betancourt regime's reluctance to apply austerity measures, [redacted] such as dismissing about 20,000 government employees whom the finance minister regards as excess.] The level of unemployment is dangerously high in Caracas--focal point of political violence since the overthrow of the Perez Jimenez dictatorship in January 1958. Moreover, Betancourt's Democratic Action party has a socialist program which makes politically inadvisable the application of purely economic remedial measures in a number of public economic enterprises, including the petrochemical and steel institutes, the air, rail, shipping, and telephone lines, the hotel chain, and credit organizations. Most of these run large deficits, possibly exceeding a total of \$100,000,000 annually. According to [redacted] the American Embassy in Caracas, the government's agrarian credit bank alone lost \$90,000,000 during the past two years. Nationalist feelings

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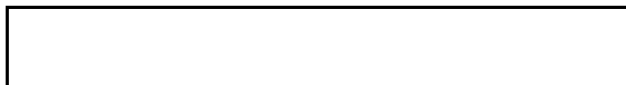
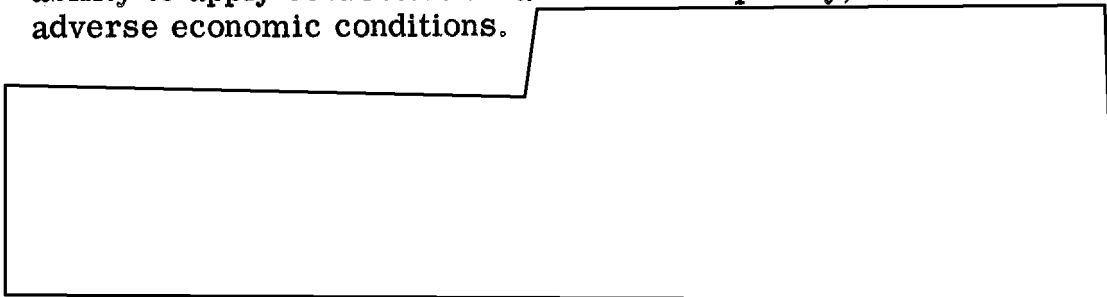
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about these corporations were indicated by the strong and extended opposition to the Betancourt-supported contract with a private foreign firm which assists in management of the government steel institute.

According to the American Embassy in Caracas, the government's restrictive policies toward the foreign-owned oil industry, which contributes the bulk of government revenues, have been partly responsible for the sharp decline in reinvestment in the industry each year since 1958 and have probably frightened away potential investors in other fields. Betancourt and his minister of mines and hydrocarbons have frequently said that no further private development of Venezuelan mineral and petroleum resources will be permitted. They have also indicated that the government's objective is to extend control over oil industry operations, including pricing and price discounts on crude oil sales, and to reach international governmental agreements on sharing markets and controlling prices with other major oil exporting countries.

Betancourt's timing of the austerity program is probably attributable in part to a belief that his regime is in a stronger political position than previously after suppressing frequent leftist violence and rightist plotting during the past eight months. The program is also designed to obtain favorable consideration of a Venezuelan request for extensive US aid, which is under negotiation. Moreover, Betancourt may have almost exhausted the financial expedients which have been available to him, and further recourse to such action would probably have undercut his moderate and conservative political support, reduced his ability to apply corrective measures subsequently, and worsened adverse economic conditions.

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